

Message Text

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PAGE 01 NEW DE 04560 311242Z
ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 AGR-10 NSC-05
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R 311022Z MAR 77
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 2288
INFO AMEMBASSY DACCA
AMEMBASSY ISLAMABAD
AMEMBASSY KATHMANDU
AMEMBASSY LONDON
USMISSION OECD PARIS
AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL MADRAS

UNCLAS NEW DELHI 4560

PASS TREASURY

E.O. 11652: N/A
TAGS: ECON IN
SUBJECT: FINANCE MINISTER PATEL ON THE INDIAN ECONOMY

1. IN THE PARLIAMENTARY DEBATE ON THE INTERIM 1977-78 CENTRAL
GOVERNMENT BUDGET (SEPT-77) NEW FINANCE MINISTER PATEL PAINTED
A RATHER GLOOMY PICTURE OF THE INDIAN ECONOMY. RESPONDING TO
THE CLAIMS OF FORMER FINANCE MINISTER SUBRAMANIAM THAT THE
NEW GOVERNMENT WAS INHERITING A SOUND ECONOMY, PATEL SAID
THAT IT WAS "FAR FROM HEALTHY" AND FACED PROBLEMS OF INADEQUATE
GROWTH IN INDUSTRY AND AGRICULTURE AND INCREASING UNEMPLOYMENT.
HE SAID THAT IN 1976-77 NATIONAL INCOME WAS AT BEST EXPECTED
TO INCREASE BY ONLY ABOUT TWO PERCENT, AGRICULTURAL PRODUCTION
WOULD SHOW A SUBSTANTIAL DECLINE, AND INDUSTRIAL OUTPUT WOULD
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INCREASE BY APPROXIMATELY NINE PERCENT. PATEL NOTED THAT THE
SUBSTANTIAL GROWTH IN 1975-76 NATIONAL INCOME (ALMOST NINE
PERCENT) WAS LARGELY THE RESULT OF FAVORABLE WEATHER CONDITIONS.
HE ALSO POINTED OUT THE LOW RATE OF ECONOMIC GROWTH IN THE
PAST 25 YEARS AND THE SLUGGISH INCREASE IN INDUSTRIAL OUTPUT
(AVERAGE OF FOUR PERCENT PER ANNUM) DURING THE PAST DECADE.

2. PATEL WAS HIGHLY CRITICAL OF THE FAILURE OF THE PREVIOUS GOVERNMENT TO CONTROL EXPANSION IN THE MONEY SUPPLY, WHICH INCREASED BY AS MUCH AS 17 PERCENT DURING 1976-77. HE SAID THAT BECAUSE OF THE FAULTY MANAGEMENT OF THE ECONOMY THE PREVIOUS GOVERNMENT HAD ALLOWED WHOLESALE PRICES TO RISE BY 12 PERCENT BETWEEN MARCH 1976 AND MARCH 1977. (DURING THE DEBATE MPS OF VARIOUS PER-SUASIONS CALLED FOR REDUCTIONS IN THE PRICES OF ESSENTIAL COMMODITIES.) PATEL ALSO CRITICIZED THE PAST POLICY OF FAILING TO IMPORT ON A TIMELY BASIS IMPORTS OF ESSENTIAL COMMODITIES AND NOT USING GROWING FOREIGN EXCHANGE RESERVES TO PROMOTE ECONOMIC GROWTH.

3. COMMENT: PATEL'S COMMENTS ON THE INDIAN ECONOMY IN 1976-77 ARE GENERALLY IN LINE WITH OUR OWN ESTIMATES, ALTHOUGH WE ARE SLIGHTLY MORE PESSIMISTIC ABOUT ECONOMIC GROWTH IN THE YEAR NOW ENDING.SCHNEIDER

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Message Attributes

Automatic Decaptioning: X
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Copy: SINGLE
Sent Date: 31-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
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Disposition Reason:
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